

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
JUNE 8, 1995

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, June 8, 1995. Members present were Messrs. W. Paul Wolf, Vice Chairman; R. Douglas Grant, Norman Lowery, and Tony Zaleski. Also present from the Department were Charles W. Phillips, Director; Kirk J. Schreiber, Bank Analyst; Eric D. Roberts, Bank Analyst; James M. Cooper, Deputy Director, Depository Institutions; Charles T. Stumpf, Deputy Director, Administrative Division; J. Philip Goddard, Chief Counsel, Deputy Director, Non-Depository Institutions and Secretary; Mark K. Powell, Supervisor, Credit Unions; Donna Kaye, Assistant to Division Supervisor, Consumer Credit Division; and Ronda K. Bailey, Administrative Secretary. Members absent were Dee Godme, Mark Hasten and Daniel Leitch.

I. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: July 13, 1995, at 9:00 a.m., EST.
- C.) A motion was made for approval of the minutes of the meeting held May 11, 1995, with a correction to the back signature page reflecting a change from Mark Hasten, Chairman to Paul Wolf, Vice Chairman. A motion for approval of the minutes, including the correction, was made by Mr. Grant and seconded by Mr. Lowery. The minutes were unanimously approved.

DIVISION OF BANK AND TRUST COMPANIES

- 1) American Heritage Banco, Inc., Fremont, Steuben County, Indiana
American Heritage Banco, Inc. ("American") has applied to the Members of the Department of Financial Institutions for prior approval to acquire The First National Bank of Fremont ("Fremont"), Fremont, Steuben County, Indiana. Pursuant to the Merger Agreement and Plan of Reorganization dated September 23, 1994, between Fremont and Interim National Bank of Fremont ("Interim Bank"), and joined by San Jose Banco, Inc., now known as American Heritage Banco, Inc., Fremont will be merged with and into the Interim Bank. Upon the effective date of the transaction, Fremont will be a wholly-owned subsidiary of American. The proposed transaction involves the exchange of 70.22 shares of American's Class "A" voting common stock for each outstanding share of Fremont common stock. Fremont has

4,336 issued and outstanding common shares, with a par value of \$100 per share. The exchange ratio of 70.22 was derived from calculations performed as of December 31, 1994, by the CPA firm of Evans, Porter, Bryan & Co. of Atlanta, GA to determine the fair market value of voting common stock of American and Fremont. No fractional shares will be issued, but each shareholder entitled to a fractional share will receive a scrip certificate.

Pursuant to IC 28-2-16-18, American requested a public hearing on the fairness of the terms, conditions, and provisions of the acquisition of Fremont. The public hearing was held on May 11, 1995, at the Indiana Government Center South, Training Room #6, 402 West Washington Street, Indianapolis, Marion County, Indiana. As a result of the hearing, it was concluded that the terms and conditions of the acquisition and of the issuance and exchange of stock of American for the stock of Fremont are fair and reasonable to the shareholders of Fremont.

Tri-County received a "Satisfactory" CAMEL rating as a result of an examination conducted by the Illinois Commissioner of Banks and Trust Companies dated March 31, 1994. Fremont also received a "Satisfactory" CAMEL rating as a result of an examination conducted by the Comptroller of the Currency dated September 30, 1993. In addition, American received a "Satisfactory" BOPEC rating from the Federal Reserve Bank of Chicago as a result of a inspection dated June 30, 1994.

San Jose Tri-County Bank, San Jose, Illinois ("Tri-County"), American's only bank subsidiary, received "Satisfactory" CRA and Compliance ratings as a result of an examination conducted by the FDIC as of March 31, 1994. Fremont was examined for CRA and Compliance by the OCC on January 31, 1989, and also received "Satisfactory" ratings.

The application was received by the Department on February 14, 1995, and accepted for processing on February 28, 1995. Members action is required by June 8, 1995. The required publication was made in Steuben County dated March 15, 1995.

All information which was requested from the applicant was promptly supplied. No negative factors or comments which would adversely affect the applicant, target or the communities they serve were received by this Department.

The Federal Reserve Bank of Chicago approved the proposed acquisition on December 15, 1994. In addition, the Comptroller of the Currency approved the corporate reorganization involving the merger of Fremont with and into Interim Bank on December 14, 1994.

The Department staff concludes that the following factors, all of which must be considered for approval of an acquisition under IC 28-2-16, are true:

- (1) The banks already controlled by the applicant are operated in a safe, sound, and prudent manner.
- (2) The financial condition of the applicant or any of its affiliates will not jeopardize the financial stability of the Indiana bank proposed to be acquired.

- (3) The proposed acquisition will not result in an Indiana bank that has inadequate capital, unsatisfactory management, or poor earnings prospects.
- (4) Banks already controlled by the applicant have provided adequate and appropriate services, including services contemplated by the Community Reinvestment Act of 1977, to the communities in which they are located.
- (5) The applicant proposes to provide adequate and appropriate services, including services contemplated by the Community Reinvestment Act of 1977, in the communities served by the Indiana bank proposed to be acquired.
- (6) The management or other principals of the applicant are qualified by character and financial responsibility to control and operate in a legal and proper manner the Indiana bank proposed to be acquired.
- (7) The interest of the depositors and creditors of the Indiana bank proposed to be acquired and the interest of the public generally will not be jeopardized by the proposed acquisition.
- (8) The applicant furnished all the information the department requires in reaching its decision.

A motion for approval of the application was made by Mr. Zaleski and seconded by Mr. Lowery. The application was unanimously approved.

2) American Heritage Banco, Inc., Fremont, Steuben County, Indiana

An application was accepted for processing on February 28, 1995, whereby American Heritage Banco, Inc. ("American") seeks the approval of this Department to acquire 100% of the voting shares of The First National Bank of Fremont ("Fremont") pursuant to IC 28-2-16. American is an Indiana Corporation, organized as a bank holding company, that owns 6,001 shares of common stock in San Jose Tri-County Bank, San Jose, Illinois ("Tri-County"), representing a 91.9% interest in the 6,530 issued and outstanding shares of common stock. Although American is an Indiana Corporation, pursuant to IC 28-2-16-9 it is considered a "Foreign bank holding company" because its principal place of business, through its ownership of Tri-County, is in San Jose, Illinois.

The acquisition will be accomplished by American's formation of the Interim National Bank of Fremont ("Interim Bank") and the merger of Fremont the into Interim Bank. Shareholders of Fremont will receive American's Class "A" voting common stock in exchange for their voting common stock in Fremont for an exchange ratio of 70.22 to 1. This ratio is subject to change and adjustment if there are any material changes in the value of shares prior to the effective date of the merger.

Pursuant to IC 28-2-16-18, American requested a public hearing on the fairness of the terms, conditions, and provisions of the acquisition of Fremont. The public hearing was held on

Thursday, May 11, 1995, at the Indiana Government Center South, Training Room #6, 402 West Washington Street, Indianapolis, Marion County, Indiana. Director Phillips conducted the hearing on behalf of the Members of the Department of Financial Institutions. As a result of the hearing, it was concluded that the terms and conditions of the acquisition and of the issuance and exchange of stock of American for the stock of Fremont are fair and reasonable to the shareholders of Fremont.

This recommended order is being submitted to the Members of the Department pursuant to the requirements of the Indiana Administrative Adjudication Act found at IC 4-21.5-3-29. The Members must (1) affirm; (2) modify; or (3) dissolve; the recommended order.

A motion for affirmation of the recommended order was made by Mr. Grant and seconded by Mr. Lowery. The recommended order was unanimously approved.

3) First Financial Bancorp, Hamilton, Butler, Ohio

Mr. Kirk J. Schreiber, Bank Analyst, presented an application which was filed by First Financial Bancorp ("FFB"), a foreign bank holding company, pursuant to IC 28-2-16 for prior approval to acquire 100% control of the Peoples Bank and Trust Company ("Peoples Bank"), Sunman, Ripley County, Indiana. FFB and Peoples Bank have entered into a Plan and Agreement of Merger dated December 29, 1994. Pursuant to the Agreement FFB formed an interim merger bank known as Newco Bank. The interim merger bank will be used to merge with and into Peoples Bank with Peoples Bank being the survivor.

The Plan and Agreement of Merger provides that each issued and outstanding share of Peoples bank common stock will be converted into the right to receive such number of shares of FFB's common stock equal to the exchange ratio arrived at by dividing (a) "the Merger Price" fixed at \$11,900,000 by (b) the number of Peoples Bank common shares outstanding of 35,000 by (c) the Market Value of FFB's common stock. The pro forma combined financial statements as of December 31, 1994, reflect a tier one leverage capital ratio of 10.32% for FFB. Pro forma total assets for the same date would be \$1.98 billion and total equity capital of \$202 million. The Federal Reserve Bank of Cleveland approved this application on April 25, 1995.

In the opinion of the Department staff, statutory requirements of IC 28-2-16-17(e) have all been satisfactorily met.

A motion for approval of the application was made by Mr. Zaleski and seconded by Mr. Lowery. The application was unanimously approved.

4) 1st Source Bank, South Bend, St. Joseph County, Indiana

1st Source Bank ("1st Source") applied to the Members of the Department for approval to merge with 1st Source Bank of Starke County ("Starke") Hamlet, Starke County, Indiana, pursuant to IC 28-1-7. 1st Source will be the surviving entity of the merger. 1st Source and Starke are both wholly-owned subsidiaries of 1st Source Corporation, South Bend, Indiana.

Following the merger, all offices of Starke will become branches of 1st Source. The resulting bank will have an adequate Tier 1 capital ratio of 8.07%. Since both banks are controlled by 1st Source Corporation, the competitive structure of the banking markets will not be altered. There will be no managerial changes with respect to the resultant bank. The board of directors of Starke will cease to exist as a result of the merger.

The Department staff recommended approval of this application. A motion for approval was made by Mr. Lowery and seconded by Mr. Grant. The application was unanimously approved.

5) The Bank of Mitchell, Mitchell, Lawrence County, Indiana

Mr. Kirk J. Schreiber, Bank Analyst, presented the application. The Bank of Mitchell ("Mitchell") applied to the Members of the Department for approval of a merger with The First National Bank of Paoli ("First National"), Paoli, Orange County, Indiana, pursuant to IC 28-1-7. Mitchell will survive the merger. The main office of First National will become a branch of Mitchell. Mitchell is a wholly owned subsidiary of National City Bancshares, Inc. ("NCBE"), Evansville, Vanderburgh County, Indiana.

The Merger Agreement provides that upon the effective time of the merger, all of the outstanding shares of First National common stock shall be exchanged for cash at the rate of \$13.35 per share, and all of the outstanding shares of First National preferred stock shall be exchanged for shares of NCBE common stock at the rate of one share of NCBE common stock for each 3.3 shares of First National convertible preferred stock.

The resulting bank will have an adequate Tier 1 capital ratio of 7.34%. The proposed merger will not have an adverse effect on existing competition in the banking markets involved. The following changes in management of the resultant bank are expected: (1) The board of directors of First National will cease to exist; however, two directors will be offered board of director positions for the resultant bank; (2) Randall L. Young, President of Mitchell, will remain as President of resultant bank; and (3) C. Ron Clark, President and CEO of First National, will become Executive Vice President of resultant bank.

The Department staff recommended approval of this application. A motion for approval was made by Mr. Grant and seconded by Mr. Zaleski. The merger was unanimously approved.

DIRECTOR'S COMMENTS AND REQUESTS

- A.) The staff presented a revised fee schedule for the fiscal year ending June 30, 1996, for the Consumer Credit Division, Bank Division, and Credit Union Division. Mr. Charles T. Stumpf, Deputy Director, Administrative Division, explained the revised fee schedule, which is attached and made a part of the official record. A motion for approval was made by Mr. Grant and seconded by Mr. Lowery. The motion was unanimously approved.

- B.) The Director advised the Members of actions pursuant to delegated authority. Mr. Phillips asked for any questions or clarifications of the actions, which are as follows:

DIVISION OF BANK AND TRUST COMPANIES

1) UNITED SOUTHWEST BANK, WASHINGTON, DAVIESS COUNTY, INDIANA

The bank has applied for approval to relocate a branch banking office from 900 West National Highway, Washington, Daviess County, Indiana, to 115 E. South Street, Washington, Daviess County, Indiana. The name of the branch will be changed from West Side Branch to South Street Branch. The proposed site is a 1,152 square foot, one story, brick building. It includes three teller stations, all three are drive through. This proposed branch is replacing two drive-in facilities and will be utilized as a service office only, no

accounts will be opened at this office. The bank acquired the lot from Victor Hopkins and Daviess County Historic Landmarks, Inc., Washington for \$71,000. The estimated cost for constructing the branch is \$225,000. Furniture, fixtures, and equipment costs are estimated at \$131,000. No insider relationship exists between any insiders of the bank and any of the parties involved. The bank received a satisfactory CAMEL rating as a result of an examination conducted by the DFI as of October 7, 1994. The bank's three-year average ROA is 1.08%.

As of December 31, 1994, the Tier I leverage capital ratio is 9.67%. The investment in total fixed assets to total capital will increase from 17.50% before the proposed relocation to 19.83% following the proposed relocation. The request was approved by the Director under Delegated Authority on May 9, 1995.

2) THE CAMPBELL AND FETTER BANK, KENDALLVILLE, NOBLE COUNTY, INDIANA

The bank has applied to the Department for approval to establish a full service branch banking office to be known as "The Campbell & Fetter Bank -Angola." The proposed branch will be located at 1440 N. Wayne Street, Angola, Steuben County, Indiana. The new branch facility will consist of approximately 2,584 square feet and will include eight teller stations, four interior and four drive through. The proposed vacant site was purchased by Doyle Enterprises, Inc., Kalamazoo, Michigan, for \$225,000. It is estimated the cost to construct a new branch will be approximately \$325,000. Doyle Enterprises, Inc. will lease the premises to the bank for \$5,500 per month. The seven shareholders of Doyle Enterprises, Inc., are all considered insiders as they all hold at least five percent of the banks' holding company stock, C & F Bancshares, Inc. Upon request the

bank provided an independent analysis of comparable leased property in the Angola area. The independent analysis showed the proposed per square foot to be charged was as beneficial to the bank as any other leased property in the Angola area. The terms of the lease call for an annual rental of \$66,000 for five years plus an option to renew for one extension for five years. In addition, furniture, fixtures, and equipment costs are estimated at \$200M. The bank

received a satisfactory CAMEL rating as a result of an examination conducted by the DFI as of August 26, 1994. The bank's three-year average ROA is 1.17%. As of December 31, 1994, the Tier I leverage capital ratio is 7.37%. The investment in total fixed assets to total capital will increase from 19.88% before the addition of the proposed branch to 21.26% following the proposed addition. This will be the institution's seventh branch. The request was approved by the Director under Delegated Authority on May 9, 1995.

DIVISION OF CONSUMER CREDIT

- 1) A request was made by Remodelers National Funding Corp of Dallas, Texas for a consumer loan license. They will be making second mortgage loans using local title companies for closing. They currently operate in eight states. The request was approved by the Director under Delegated Authority on May 26, 1995.
- 2) A request was made by Delta Funding Corporation of Woodbury, New York for a consumer loan license. Delta will be making second mortgage loans using local title companies for closing. They currently operate in 15 states. The request was approved by the Director under Delegated Authority on May 26, 1995.
- 3) A request was made by NIBCO Employees Savings Thrift (NEST) for a consumer loan license to make loans to employees. They have eleven locations throughout the United States. NIBCO is based in Elkhart. All references are in order. The request was approved by the Director under Delegated Authority on May 26, 1995.
- 4) A request was made by Green Tree Financial Servicing Corp for a consumer loan license. They are currently licensed under Green Tree Financial Corp. Due to corporate restructuring, they want to retain the current license and obtain a new license under the Servicing Corporation. Their primary business is the purchase of retail installment sales contracts from mobile home dealers. They want the loan license in order to make direct loans. It is recommended that the license be issued. The request was approved by the Director under Delegated Authority on May 26, 1995.
- 5) A request was made by CTX Mortgage Company for a consumer loan license. It is based in Dallas, Texas and will have a location in Indianapolis. They currently operate in thirteen states. CTX will be making second mortgage loans. The request was approved by the Director under Delegated Authority on May 26, 1995.

- 6) A request was made by Fidelity Mortgage Decisions Corporation for a consumer loan license. They are based in Oak Brook, Illinois. Fidelity will be making second mortgage loans using local title companies for closing. The request was approved by the Director under Delegated Authority on May 26, 1995.

DIVISION OF CREDIT UNIONS

1) PERFECT CIRCLE CREDIT UNION, HAGERSTOWN, WAYNE COUNTY, INDIANA

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organization into the field of membership of the credit union:

Elder Davis, Inc. - Richmond - 150 members

The request was approved by the Director under Delegated Authority on May 10, 1995.

2) TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Down to Earth - Granger - 1 member

Regional Radio Sports Network, Inc. - Crown Point - 6 members

A'Homestead Shoppe, Inc. - Lapaz - 40 members

Home Equity Mortgage Corp. - Indianapolis - 11 members

Morehead Technologies, Inc. - Elkhart - 6 members

Educators' Aerospace Education Assoc. - Indianapolis - 100 members

The Henthorn Agency, Inc. - Beech Grove - 7 members

Phoenix Fleet Sales Co. - South Bend - 8 members

CompuPharm-LTC - South Bend - 547 members

The request was approved by the Director under Delegated Authority on May 22, 1995.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

Paul Wolf, Vice Chairman

ATTEST:

J. Philip Goddard, Secretary